

FOR CONSIDERATION

June 28, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Multiple Sites (Monroe County) – Sutherland Global Working Capital –  
Empire State Economic Development Fund – Competiveness  
Improvement Program (Training Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the  
Act; Authorization to Make a Grant and to Take Related Actions

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I. Project Summary

Grantee: Sutherland Global Services Inc. (“Sutherland” or the “Company”)

ESD\* Investment: A grant of up to \$300,000 to be used for a portion of the cost to train  
new employees.

\* The New York State Urban Development Corporation doing business as  
the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Locations: 1160 Pittsford-Victor Road, Pittsford, Monroe County  
1180 Jefferson Road, Henrietta, Monroe County  
250 Wallace Way, Gates, Monroe County (Rochester Technology Park)  
400 West Avenue, Rochester, Monroe County

Proposed Project: Employee training at four Monroe County locations, and purchase of  
furnishings, fixtures, equipment, and software at 250 Wallace Way.

ESD Incentive Offer Accepted: December 18, 2010

Project Completion: March 2011

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	2,199
Current employment level:	2,681
Minimum employment on January 1, 2014:	2,599

Grantee Contact: Joseph Magliozzi, Global Finance Initiatives Senior Program Manager  
1160 A Pittsford Victor Road  
Pittsford, NY 14534  
Phone: (585) 586-5757 X2543  
Fax: (585) 419-7978

Anticipated  
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: X303

Project Team:	Origination	Robert McNary
	Project Management	Edward Muszynski
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Renovations	\$731,745
Furnishings, Fixtures, Equipment & Software	1,295,050
Employee Training*	<u>1,309,528</u>
Total Project Costs	<u>\$3,336,323</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$300,000	9%
Monroe County Loan-to-Grant**	75,000	2%
Company Equity	<u>2,961,323</u>	<u>89%</u>
Total Project Financing	<u>\$3,336,323</u>	<u>100%</u>

\*Costs include trainer wages and employee wages during training. Trainers are Sutherland employees on its training staff.

\*\*Loan will be forgiven if job commitments are met.

### III. Project Description

#### A. Background

Founded in 1986, Sutherland Global Services Inc. is a worldwide business process outsourcing firm. The Company offers an integrated set of front- and back-office client services. It combines highly trained people with state-of-the-art technology and proven business methodologies. Sutherland collaborates with clients to help them excel and to maximize customer value. From its delivery/contact centers (formerly known as call centers), Sutherland offers the following:

- Business transformation services, such as process consulting, platform development and global transitioning;
- Knowledge services, such as business and financial research/analysis;
- Business process outsourcing, including human resources, finance and accounting (back office); and customer service and technical support (front office);
- Technology-enabled services, including software platforms for transaction processing.

With 32 delivery/contact centers in ten countries, Sutherland employs approximately 29,000 people worldwide. Over half of the Company's revenues are derived from clients in the technology/telecom sectors, with two-thirds of its revenues from Fortune 500 companies. Sutherland has attained ISO 9001, ISO 27001 and Six Sigma certifications.

In 2010, Sutherland needed to lease additional space to grow its back-office management services and train new employees at all four of its Monroe County locations. ESD offered a \$300,000 training grant, which the Company accepted in December 2010. The Company has also been accepted into the Excelsior Jobs Program and may qualify for refundable tax credits estimated at \$700,000. As a result of this assistance, the Company leased an additional facility in Monroe County in a former Kodak manufacturing campus (Rochester Technology Park) in the Town of Gates. Without this assistance, the Company would likely have expanded in Charlotte, NC or Hampton, VA, two locations where the cost of doing business is lower, and 1,593 existing jobs would have been at risk.

In 2000, ESD approved a \$400,000 training grant and a \$500,000 job creation grant to train employees of Sutherland's new Syracuse-area office to support new job creation at multiple contact centers in the State. The projects were completed and both grants were disbursed. The Company met all of its job commitments.

#### B. The Project

The Company has renovated 68,642 square feet of leased space at its newest location at the Rochester Technology Park, 250 Wallace Way, in the Town of Gates. The Company has also purchased new furniture, furnishings, equipment, and software for that location. The Company has also completed three-month training of over 400 new employees in its systems, procedures and its clients' products. Sutherland has already exceeded the 400-person job creation goal, creating 482 jobs to date.

C. Financial Terms and Conditions

1. The Company will be obligated to advise ESD of any material or adverse changes in its financial condition prior to disbursement.
2. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
3. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
4. Up to \$300,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$150,000) will be disbursed upon documentation of \$1,025,000 for furnishings, fixtures, equipment and software and \$654,764 for employee training, and documentation of the employment of at least 2,399 Full-time Permanent Employees at the Project Locations (Employment Increment of 200), assuming that all project approvals have been completed and funds are available;
  - b) a Second Disbursement of an amount equal to 25% of the grant (\$75,000) will be disbursed upon documentation of an additional \$327,382 in employee training expenditures (\$982,146 cumulatively) and documentation of the employment of at least 2,499 Full-time Permanent Employees at the Project Locations (Employment Increment of 100), provided Grantee is otherwise in compliance with program requirements;
  - c) a Third Disbursement of an amount equal to 25% of the grant (\$75,000) will be disbursed upon documentation of an additional \$327,382 in employee training expenditures (\$1,309,528 cumulatively) and documentation of the employment of at least 2,599 Full-time Permanent Employees at the Project Locations (Employment Increment of 100), provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after December 18, 2010, to be considered eligible project costs. All disbursements must be requested no later than April 1, 2014.

5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$300,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
6. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	2,199
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A	B
Reporting Date	Employment Goals
February 1, 2012	2,199+X+Y+Z
February 1, 2013	2,199+X+Y+Z
February 1, 2014	2,199+X+Y+Z
February 1, 2015	2,199+X+Y+Z
February 1, 2016	2,199+X+Y+Z

X = Grantee's Employment Increment that will be the basis of the First Disbursement of the Grant as described in section C.5 above (i.e. X=200 and Employment Goals shall equal [2,199 + X = 2,399] if the First Disbursement is made, in the year such disbursement is made and for each year thereafter). If the First Disbursement has not yet been made then X=0.

Y = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. Y=100, and Employment Goals shall equal [2,199 + X + Y = 2,499] if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then Y=0.

Z = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e. Z=100 and Employment Goals shall equal [2,199 + X + Y + Z= 2,599] if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Z=0.

#### IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.

As a result of this project, the Company will maintain its employment level of 2,199, including 1,593 jobs that were at risk.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

Without ESD assistance, the Company likely would have expanded in Charlotte, NC or Hampton, VA, two locations that have actively recruited the Company.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$30,637,167;
- Fiscal cost to NYS government is estimated at \$329,378;
- Project cost to NYS government per direct job is \$275;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$212;
- Ratio of project fiscal benefits to costs to NYS government is 93.04:1;

- Fiscal benefits to all governments (state and local) are estimated at \$51,530,779;
- Fiscal cost to all governments is \$358,556;
- All government cost per direct job is \$300;
- All government cost per total job is \$230;
- The fiscal benefit to cost ratio for all governments is 143.72:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$226,538,238, or \$145,591 per job (direct and indirect);
- The economic benefit to cost ratio is 631.81:1;
- Project construction cost is \$731,745 which is expected to generate seven direct job years and four indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.30 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is one year.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Sutherland Global is encouraged to include minorities and women in any job opportunities created by the project and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

VIII. Additional Submissions to Directors

Resolutions  
 New York State Map  
 Cost-Benefit Analysis

June 28, 2011

Multiple Sites (Monroe County) – Sutherland Global Working Capital – Empire State Economic Development Fund – Competiveness Improvement Program (Training Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Make a Grant and to Take Related Actions

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Sutherland Global Working Capital – Empire State Economic Development Fund – Competiveness Improvement Program (Training Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Sutherland Global Services Inc. a grant for a total amount not to exceed Three Hundred Thousand Dollars (\$300,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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